

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6068

BILL NUMBER: SB 26

NOTE PREPARED: Jan 14, 2015

BILL AMENDED:

SUBJECT: Coverage of Prescription Eye Drops.

FIRST AUTHOR: Sen. Miller Patricia

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires that certain state employee health plans, policies of accident and sickness insurance, and health maintenance organization contracts must cover refills and additional units of prescription eye drops under specified conditions.

(The introduced version of this bill was prepared by the Interim Committee on Public Health, Behavioral Health, and Human Services).

Effective Date: July 1, 2015.

Explanation of State Expenditures: (Revised) *Summary:* This bill is estimated to increase state expenditures between \$51,000 and \$131,000 during CY 2016. This increase is attributable to (1) additional expenditures between \$50,000 and \$80,000 for changes to the state employee health plan and (2) additional expenditures of \$51,000 to financing state-mandated coverage for prescription eye drops under the federal Affordable Care Act (ACA).

Additional Information:

(Revised) *Impact to State Employee Health Plan:* The State Personnel Department (SPD) estimates the changes to the state employee health plan will increase plan costs between approximately \$50,000 and \$80,000 per year. This increase may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower

wage increases than would otherwise occur. It is unknown at this time if the state would cover the added costs or pass the costs on to employees.

(Revised) *Essential Health Benefits*: Under the ACA, states will select health plans for benchmarking essential health benefits that will be offered in health plans available through the Health Insurance Exchange (HIX). State mandates outside of the definition of essential health benefits could in future years not be included in the approved list of essential health benefits that are offered through the HIX (as approved by the federal Department of Health and Human Services).

The state could be responsible for financing the cost of any state-mandated services that are required to be included in health insurance plans offered through the HIX but not included in the definition of essential health benefits. As a result, state expenditures could increase in future years to provide state-mandated services that are not essential health benefits offered through the HIX.

It is expected the provisions of the bill would primarily impact health plans offered during CY 2016. The Department of Insurance (DOI) estimates the provisions of the bill are expected to increase state expenditures by approximately \$51,000 per year under the federal requirements for state-mandated coverage, unless the required coverage listed in the bill is included in the next federal review of essential health benefits.

Explanation of State Revenues: The changes in the bill governing refills and extra units of prescription eye drops could increase insurance premiums paid in the state. To this effect, the state could receive additional revenue from taxes paid on insurance premiums. Revenue received from the insurance premium tax is distributed to the General Fund. Actual increases in state revenue from insurance premiums are indeterminable.

For FY 2014, the insurance premium tax collected approximately \$218.5 M in revenue.

Explanation of Local Expenditures: Local government units and school corporations that purchase private group insurance could also be affected by the provisions of this bill. If this bill increases local costs to purchase private group insurance plans, it is not known how much of the increased costs will be borne by the local government unit and by the participating individuals.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: School corporations; Local units of government.

Information Sources: Christy Tittle, SPD; Tyler Ann McGuffey, DOI.

Fiscal Analyst: Bill Brumbach, 232-9559.